



**BROWARD COUNTY, FLORIDA
WATER AND WASTEWATER FUND
A Major Fund of Broward County, Florida**

**Financial Statements
For the Years Ended September 30, 2014 and 2013**

**BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND
FINANCIAL STATEMENTS**

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MOORE STEPHENS
LOVELACE, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Honorable Board of County Commissioners
Broward County Water and Wastewater Fund
Broward County, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the Broward County Water and Wastewater Fund (the "Water and Wastewater Fund"), an enterprise fund of Broward County, as of and for the years ended September 30, 2014 and 2013, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Water and Wastewater Fund, an enterprise fund of Broward County as of September 30, 2014 and 2013, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter

Enterprise Fund Presentation

As discussed in Note 1 to the financial statements, the financial statements present only the Water and Wastewater Fund and do not purport to, and do not, present the financial position of Broward County, Florida as of September 30, 2014 and 2013, the changes in its financial position, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedule of Funding Progress – Other Post Employment Benefits, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information, and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements taken as a whole. The supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Honorable Board of County Commissioners
Broward County Water and Wastewater Fund

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2015, on our consideration of the Water and Wastewater Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Water and Wastewater Fund's internal control over financial reporting and compliance.

Moore Stephens Lovelace, P.A.

MOORE STEPHENS LOVELACE, P.A.

Certified Public Accountants

Orlando, Florida
February 19, 2015

**Broward County, Florida
Water and Wastewater Fund
Management's Discussion and Analysis**

The management of the Water and Wastewater Fund (the Fund) of Broward County, Florida (County) offers this narrative overview and analysis of the financial activities of the Fund for the fiscal years ended September 30, 2014 and 2013. This discussion has been prepared by management and we encourage readers to consider the information presented here in conjunction with the financial statements and related notes, which follow this section.

Introduction

The Broward County Utilities Division was established on January 31, 1962, with the County's purchase of a small, investor-owned water and wastewater utility. Between 1962 and 1975, the County acquired additional private utilities. In 1972, the County commenced construction of the North Regional Wastewater Treatment Plant (NRWWTP), and in 1975, began providing wholesale wastewater treatment service to large users. The water utility service area is divided into separate geographic districts; District 1 is served by Water Treatment Plant (WTP) 1A, District 2 by WTP 2A and District 3 by purchased water from the City of Hollywood. Subsequent reorganizations created Water and Wastewater Services (WWS).

The Fund operates as a major enterprise fund of the County. It is self-supporting and does not rely on local tax dollars to fund its operations. Operating revenues must therefore be generated from water utility fees, investment income, and other non-operating revenues in order to (1) cover the Fund's operating expenses, debt service payments, certain capital outlays, and other requirements, and (2) comply with the rate covenant provided in the Bond Resolution.

Financial Highlights

- Assets plus deferred outflows of resources of the Fund exceeded its liabilities at the close of the fiscal year 2014 by \$389.9 million (net position). Of this amount, \$98.5 million is unrestricted and thus available for the Fund's ongoing and future obligations.
- In 2014, the Fund's net position increased by \$16.1 million, or 4.3%. The increase is due to the positive results of operations.
- The debt service coverage for the Fund of 164% is above the 120% required debt service coverage per the Bond Resolution.
- The Fund's total outstanding debt decreased by \$13.4 million, or 2.5% during the current fiscal year as a result of repayments of debt.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Fund's financial statements. The financial section is comprised of two components: (1) financial statements, and (2) notes to the financial statements. This report also contains required and other supplementary information in addition to the financial statements.

Financial Statements

The financial statements consist of a statement of net position, statement of revenues, expenses, and changes in net position and a statement of cash flows. These statements provide information about the activities and performance of the Fund and are prepared on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of when the related cash flow takes place. These statements are presented on pages 13-16.

**Broward County, Florida
Water and Wastewater Fund
Management's Discussion and Analysis**

The **Statement of Net Position** includes all of the Fund's assets, deferred outflows of resources, and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Fund is improving or deteriorating.

Revenues and expenses are accounted for in the **Statement of Revenues, Expenses, and Changes in Net Position**. This statement measures the success of the Fund's operations over the past year and can be used to determine whether the Fund has recovered all of its costs through its user charges and fees.

The **Statement of Cash Flows** provides information about the Fund's cash receipts, cash payments and net changes in cash resulting from operations, investing in non-capital activities, investing in capital and related financing activities, and investing activities.

Notes to the Financial Statements

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of the information provided in the Fund's financial statements. The notes to the financial statements can be found on pages 17-32.

Other Information

In addition to the financial statements and accompanying notes, this report also presents required supplementary information concerning the progress in funding the obligation to provide other post employment benefits. Required supplementary information can be found on page 34.

A schedule of net revenue and debt coverage calculation is presented immediately following the required supplementary information and can be found on page 36.

Financial Analysis

The statements of net position serve as a useful indicator of the Fund's financial position. They distinguish assets, deferred outflows of resources and liabilities with respect to their expected use for current operations or internally designated use for capital projects. A condensed comparative summary of the Fund's Statements of Net Position as of September 30, 2014, 2013 and 2012 is shown on the following page:

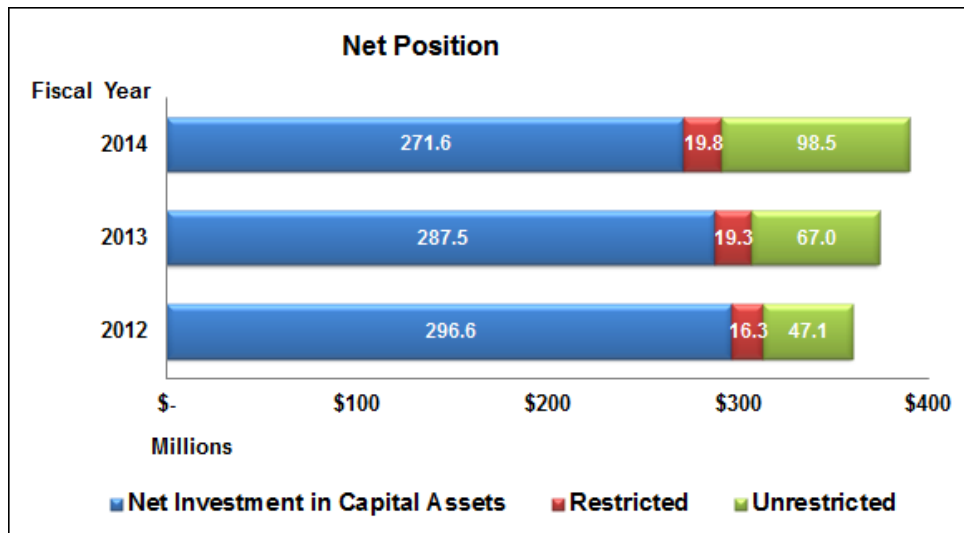
**Broward County, Florida
Water and Wastewater Fund
Management's Discussion and Analysis**

**Net Position
As of September 30, 2014, 2013 and 2012
(In Thousands)**

	2014	2013	2012
Current Assets	\$ 155,181	\$ 116,869	\$ 97,860
Noncurrent Assets-Other Than Capital Assets	81,043	122,932	148,407
Capital Assets (Net)	734,465	722,357	717,058
Total Assets	<u>970,689</u>	<u>962,158</u>	<u>963,325</u>
Deferred Outflows of Resources	<u>11,824</u>	<u>13,311</u>	<u>14,798</u>
Current Liabilities	54,154	47,381	47,971
Noncurrent Liabilities	538,483	554,265	570,137
Total Liabilities	<u>592,637</u>	<u>601,646</u>	<u>618,108</u>
Net Investment in Capital Assets	271,569	287,484	296,614
Restricted	19,835	19,290	16,270
Unrestricted	98,472	67,049	47,131
Total Net Position	<u>\$ 389,876</u>	<u>\$ 373,823</u>	<u>\$ 360,015</u>

The overall position of the Fund improved in both the 2014 and 2013 fiscal years. Total net position as of September 30, 2014, was \$389.9 million, representing an increase of \$16.1 million, or 4.3% compared to 2013. Total net position as of September 30, 2013, was \$373.8 million, representing an increase of \$13.8 million, or 3.8% during fiscal year 2013. The increase in fiscal years 2014 and 2013 was primarily due to the positive results of operations in the Fund.

At September 30, 2014, 69.7% of the Fund's net position is represented by its net investment in capital assets. These capital assets are used to provide services to the utility's customers. The restricted portion, 5.1% of the Fund's net position, relates to assets that are subject to external restrictions on how they can be used pursuant to covenants of the Bond Resolution. The remaining unrestricted net position of 25.2% may be used to meet any of the Fund's ongoing obligations.



**Broward County, Florida
Water and Wastewater Fund
Management's Discussion and Analysis**

The following schedule shows the changes in net position for the fiscal years ended September 30, 2014, 2013 and 2012.

**Changes in Net Position
For the Years Ended September 30, 2014, 2013 and 2012
(In Thousands)**

	2014	2013	2012
Operating Revenues:			
Water Sales	\$ 45,453	\$ 43,990	\$ 46,343
Wastewater Services	70,385	69,419	66,249
Other Services	6,932	6,807	4,070
Total Operating Revenues	<u>122,770</u>	<u>120,216</u>	<u>116,662</u>
Operating Expenses:			
Personal Services	23,742	23,208	23,108
General Operating	38,721	40,167	40,965
Depreciation	34,730	33,947	31,039
Total Operating Expenses	<u>97,193</u>	<u>97,322</u>	<u>95,112</u>
Operating Income	<u>25,577</u>	<u>22,894</u>	<u>21,550</u>
Non-Operating Revenues (Expenses):			
Investment Income	394	353	793
Interest Expense, Net of Capitalized Interest	(16,964)	(17,235)	(18,568)
Bond Issuance Costs	-	-	(2,306)
Other	446	1,759	1,075
Total Non-Operating Expenses	<u>(16,124)</u>	<u>(15,123)</u>	<u>(19,006)</u>
Income Before Capital Contributions	<u>9,453</u>	<u>7,771</u>	<u>2,544</u>
Capital Contributions:			
Capital Recovery Fees	4,093	3,680	636
Capital Contributed from Other Governments	1,662	1,633	1,709
Assets Contributed by Developers	845	724	2,423
Total Capital Contributions	<u>6,600</u>	<u>6,037</u>	<u>4,768</u>
Change in Net Position	16,053	13,808	7,312
Total Net Position - Beginning, as Restated*	<u>373,823</u>	<u>360,015</u>	<u>352,703</u>
Total Net Position - Ending	<u>\$ 389,876</u>	<u>\$ 373,823</u>	<u>\$ 360,015</u>

* The October 1, 2012 beginning balance in the table above was restated due to the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

Net position for the Fund at September 30, 2014 was \$389.9 million, a 4.3%, or \$16.1 million increase from the 2013 balance of \$373.8 million. Key elements of the increase are as follows:

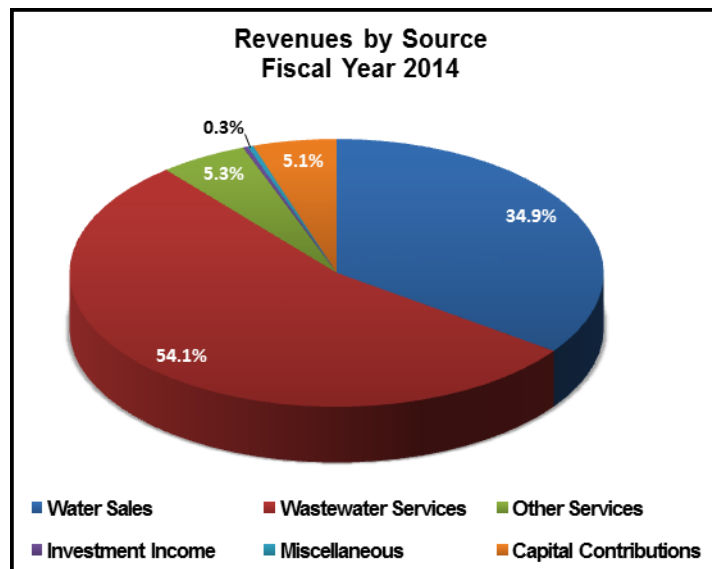
- Operating revenues increased \$2.6 million, or 2.1% over the prior year. The increase was primarily due to a \$1.4 million increase in retail water sales as a result of an increase of 2.0% in water usage. Compared to the prior fiscal year, sewage flows rose by 3.0% resulting in an increase of \$1.3 million in retail sewer services.

**Broward County, Florida
Water and Wastewater Fund
Management's Discussion and Analysis**

- Operating expenses decreased \$0.1 million, or 0.1% from the prior year. The decrease is the result of a decrease in general operating expenses of \$1.4 million, which was offset by an increase in personal services and depreciation expense of \$1.3 million.
- Non-operating expenses for fiscal year 2014 increased by \$1.0 million from the prior year. Although interest expense decreased by \$0.3 million, other non-operating revenues decreased by \$1.3 million.
- The \$0.6 million, or 9.3% increase in capital contributions is an indication that development activity in the service area is beginning to show signs of economic recovery. Contributions from development activities are anticipated to grow, as broader economic factors in Broward County and throughout the state, such as unemployment rate, home values, and access to capital, continue to improve.

In fiscal year 2013, net position for the Fund's current year activities was \$373.8 million, a 3.8%, or \$13.8 million, increase from the 2012 balance of \$360 million, as restated. The increase is primarily due to the positive result of operations.

- Operating revenues increased by \$3.6 million, or 3% from \$116.7 million in 2012 to \$120.2 million in 2013. The increase was primarily due to a \$1.7 million increase in wastewater wholesale services as well as an increase in debt service costs paid by large users for wholesale wastewater services. Compared to the prior fiscal year, sewage flows rose by 2.6% resulting in an increase of \$1.0 million in retail sewer services and \$0.4 million in septic fees and water charges, respectively.
- Operating expenses increased \$2.2 million, or 2.3% over the prior year primarily due to an increase in depreciation expense of \$2.9 million.
- Non-operating expenses for fiscal year 2013 decreased by \$3.9 million, or 20.4% from the prior year. This was primarily due to a decrease in bond issuance costs of \$2.3 million and an increase in other non-operating revenues of \$0.7 million.
- Capital contributions increased by \$1.3 million, or 26.6% to \$6.0 million from \$4.7 million in fiscal year 2012 due to improving economic conditions during development.



**Broward County, Florida
Water and Wastewater Fund
Management's Discussion and Analysis**

Capital Assets and Debt Administration

Capital Assets

As of September 30, 2014, the Fund had \$734.5 million invested in a variety of capital assets, as reflected in the following schedule. In 2014, there was a net increase in capital assets (additions less retirements and depreciation) of \$12.1 million.

The following is a summary of capital assets of the Fund as of September 30, 2014, 2013 and 2012:

**Comparative Summary of Capital Assets
As of September 30, 2014, 2013 and 2012
(In Thousands)**

	2014	2013	2012
Land	\$ 4,936	\$ 4,904	\$ 4,904
Construction in Progress	63,231	40,268	70,212
Total Non-depreciable Assets	<u>68,167</u>	<u>45,172</u>	<u>75,116</u>
Utility Plant in Service	1,124,870	1,102,311	1,035,639
Equipment	27,270	27,089	24,787
Less Accumulated Depreciation	<u>(485,842)</u>	<u>(452,215)</u>	<u>(418,484)</u>
Total Depreciable Assets, Net	<u>666,298</u>	<u>677,185</u>	<u>641,942</u>
Total Capital Assets, Net	<u>\$ 734,465</u>	<u>\$ 722,357</u>	<u>\$ 717,058</u>

In fiscal year 2014, capital projects under construction increased by \$44.9 million and \$21.9 million completed projects were transferred to utility plant in service. Major capital projects completed include the Neighborhood Improvement Program for \$8.9 million and \$13.0 million for various water and wastewater improvement projects. The Neighborhood Improvement Program was initiated by the County in 1993 to upgrade the infrastructure in what were Broward Municipal Services District (formally Unincorporated Broward) neighborhoods. The improvements include upgrades to the existing water and wastewater systems, new sanitary sewer systems, installation of drainage systems, new pavement, swales and landscaping.

In fiscal year 2013, the Fund capitalized assets totaling \$69.2 million of new and improved capital assets. The major new additions included equipment purchases and capital projects improvements. The improvements include upgrades to the existing water and wastewater systems, installation of drainage systems, new pavement, swales and landscaping.

The Fund evaluates the need for capital improvements to the County's retail water and wastewater systems as well as the regional wastewater and water supply systems based upon its five-year capital improvement plan that balances the use of capital resources with projected cash flows. The overall plan is updated annually wherein all projects are thoroughly examined and scheduled. Each review builds upon prior analyses and uses new planning data when available. The Fund finances the capital projects from a combination of operating cash flows and the issuance of revenue bonds.

Additional information on the Fund's capital assets can be found in Note 4 on pages 25.

**Broward County, Florida
Water and Wastewater Fund
Management's Discussion and Analysis**

Debt Administration

As of September 30, 2014, the Fund had \$514.1 million in bonded debt outstanding compared to the \$527.5 million in 2013, a 2.5% decrease. During fiscal year 2014, the decrease in debt payable was due to principal payments of \$13.4 million. All debt outstanding as of the end of fiscal year 2014 was secured by system revenues. As of September 30, 2013, the Fund had \$527.5 million in bonded debt outstanding compared to the \$537.9 million in 2012, a 1.9% decrease, with the decrease due to principal payments of \$10.4 million.

**Comparative Summary of Bonded Debt
As of September 30, 2014, 2013 and 2012
(In Thousands)**

	2014	2013	2012
Water and Sewer Utility Revenue Bonds	\$514,140	\$527,500	\$537,940

Water and sewer utility bonds maintained strong ratings Aa2, AA+ and AA from the three major rating services: Moody's Investors Service, Fitch Ratings, and Standard and Poor's Ratings Services, respectively.

Additional information on the Fund's long-term liabilities can be found in Note 5 on pages 26-27.

Economic Factors and Next Year's Budget and Rates

The County charges uniform rates throughout its service areas. The water utility service area is divided into separate geographic districts; District 1 is served by Water Treatment Plant (WTP) 1A, District 2 by WTP 2A and District 3 by purchased water from the City of Hollywood. The County also owns and operates the North Regional Wastewater System (NRWWS), which provides contract wholesale wastewater services to 11 large users and retail customers from Districts 1 and 2. Sanitary services in Districts 1 and 2 are provided by the NRWWS and by the South District Regional Wastewater System owned and operated by the City of Hollywood for District 3.

The management of the Fund has established goals which include providing high-quality and cost-effective services to its customer, while operating the facilities and executing programs in a manner that protects the environment. These goals were used as a guide to prepare the fiscal year 2015 approved budget.

The operating and capital budgets ensure rates, fees and charges are sufficient to support Fund activities and debt service requirements, while providing appropriate coverage to maintain or to enhance bond ratings.

Management develops and implements a financing plan for the successful implementation of the capital plan and policies to ensure environmentally safe water resources.

The following factors were considered in preparing the fiscal year 2015 budget:

- Water consumption continues to be slightly increased.
- Increase in annual system costs of 2.8% due to increases in sludge hauling/disposal and purchased water from the City of Hollywood.
- Maintain competitive retail rates among local utilities.

**Broward County, Florida
Water and Wastewater Fund
Management's Discussion and Analysis**

- Maintain conservation based water rates to reward customers with the lowest rates of consumption.
- The average residential retail rate will increase by 3%.
- The regional rates for wastewater and raw water were recalculated in conformance with large user agreements and recommended rates were approved by the Board for fiscal year 2015. The regional rates for wastewater and raw water for fiscal year 2015 increased by 7.9% and 8.7%, respectively, from fiscal year 2014.

Additional information on Water and Wastewater Services is available on the County's web site, <http://www.broward.org/waterservices/Pages/Default.aspx>.

Requests for Information

This financial report is designed to present users with a general overview of the Fund's finances for all those with an interest in the Fund's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Director of Water and Wastewater Services
2555 West Copans Road, Pompano Beach, FL 33069
Office: 954-831-0704 Fax: 954-831-0989

**BROWARD COUNTY, FLORIDA
WATER AND WASTEWATER FUND
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2014 AND 2013
(In Thousands)**

	2014	2013
ASSETS		
Current Assets:		
Unrestricted Assets:		
Cash and Cash Equivalents	\$ 27,881	\$ 14,441
Investments	56,591	39,703
Receivables		
Accounts, Net of Allowance of \$7,419 and \$6,735, Respectively	14,495	13,067
Other	378	393
Inventory	8,511	8,070
Prepaid Items	1,568	2,051
Total Current Unrestricted Assets	109,424	77,725
Restricted Assets:		
Cash and Cash Equivalents	37,261	30,643
Investments	8,496	8,501
Total Current Restricted Assets	45,757	39,144
Total Current Assets	155,181	116,869
Noncurrent Assets:		
Restricted Assets:		
Cash and Cash Equivalents	48,390	89,593
Investments	32,653	33,339
Total Noncurrent Restricted Assets	81,043	122,932
Capital Assets:		
Utility Plant in Service	1,124,870	1,102,311
Land	4,936	4,904
Construction in Progress	63,231	40,268
Equipment	27,270	27,089
Total Capital Assets	1,220,307	1,174,572
Less Accumulated Depreciation	(485,842)	(452,215)
Total Capital Assets, Net	734,465	722,357
Total Noncurrent Assets	815,508	845,289
TOTAL ASSETS	970,689	962,158
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charge on Refunding	\$ 11,824	\$ 13,311

(continued)

**BROWARD COUNTY, FLORIDA
WATER AND WASTEWATER FUND
STATEMENTS OF NET POSITION - continued
SEPTEMBER 30, 2014 AND 2013
(In Thousands)**

	2014	2013
LIABILITIES		
Current Liabilities:		
Payable From Unrestricted Assets:		
Accounts Payable	\$ 2,488	\$ 2,348
Accrued Liabilities	1,059	868
Due to Other Governments	3,091	3,258
Compensated Absences	1,759	1,763
Total Current Liabilities Payable from Unrestricted Assets	8,397	8,237
Payable From Restricted Assets:		
Accounts Payable	11,257	5,013
Accrued Interest Payable	11,897	12,068
Revenue Bonds Payable	13,705	13,360
Customer Deposits	8,898	8,703
Total Current Liabilities Payable from Restricted Assets	45,757	39,144
Total Current Liabilities	54,154	47,381
Noncurrent Liabilities:		
Revenue Bonds Payable, Net of Discount and Premiums	535,928	551,826
Compensated Absences	1,865	1,822
Other Post Employment Benefits	690	617
Total Noncurrent Liabilities	538,483	554,265
TOTAL LIABILITIES	592,637	601,646
NET POSITION		
Net Investment in Capital Assets	271,569	287,484
Restricted for:		
Debt Service	13,705	13,360
Renewal, Replacement, and Improvement	6,130	5,930
Unrestricted	98,472	67,049
TOTAL NET POSITION	\$ 389,876	\$ 373,823

See accompanying notes to financial statements.

BROWARD COUNTY, FLORIDA
WATER AND WASTEWATER FUND
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013
(In Thousands)

	2014	2013
Operating Revenues:		
Retail Services:		
Water	\$ 44,508	\$ 43,114
Wastewater	35,740	34,485
Septic Charges	2,232	1,977
Other Services	6,932	6,807
	89,412	86,383
Wholesale Services:		
Water	945	876
Wastewater	32,413	32,957
Total Operating Revenues	122,770	120,216
Operating Expenses:		
Personal Services	23,742	23,208
Utilities Services	14,927	15,338
Chemicals	3,281	3,086
County Services	3,339	3,236
Materials and Supplies	4,923	5,635
Motor Pool	1,245	1,449
Contractual Services	8,423	8,203
Other	2,583	3,220
Total Operating Expenses before Depreciation	62,463	63,375
Operating Income before Depreciation	60,307	56,841
Depreciation Expense	34,730	33,947
Operating Income	25,577	22,894
Non-Operating Revenues (Expenses):		
Grants	11	20
Interest Income	394	353
Interest Expense, Net of Capitalized Interest	(16,964)	(17,235)
Other Income	941	1,938
Write off of Discontinued Project Costs	(499)	(179)
Gain on Disposal of Assets	25	4
Other Expenses	(32)	(24)
Total Non-Operating Expenses	(16,124)	(15,123)
Income before Capital Contributions	9,453	7,771
Capital Contributions:		
Capital Recovery Fees	4,093	3,680
Capital Contributed from Other Governments	1,662	1,633
Assets Contributed by Developers	845	724
Total Capital Contributions	6,600	6,037
Change in Net Position	16,053	13,808
Total Net Position - Beginning, as Restated	373,823	360,015
Total Net Position - Ending	\$ 389,876	\$ 373,823

See accompanying notes to financial statements.

**BROWARD COUNTY, FLORIDA
WATER AND WASTEWATER FUND
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013
(In Thousands)**

	2014	2013
Cash Flows From Operating Activities:		
Cash Received from Customers	\$ 121,370	\$ 120,655
Cash Payments to Suppliers for Goods and Services	(38,988)	(42,004)
Cash Payments to Employees for Services	(23,439)	(23,503)
Other Cash Received	941	980
Net Cash Provided by Operating Activities	59,884	56,128
Cash Flows From Noncapital Financing Activities:		
Cash from Noncapital Grants	11	20
Net Cash Provided by Noncapital Financing Activities	11	20
Cash Flows From Capital And Related Financing Activities:		
Acquisition and Construction of Capital Assets	(33,708)	(35,632)
Proceeds from Sale of Capital Assets	69	12
Capital Recovery Fees	4,093	3,680
Capital Surcharges Contr buted from Other Governments	1,662	1,633
Principal Paid on Revenue Bonds	(13,360)	(10,440)
Interest Paid on Revenue Bonds	(23,965)	(23,982)
Other Debt Service Costs Paid	(43)	(18)
Net Cash Used for Capital and Related Financing Activities	(65,252)	(64,747)
Cash Flows From Investing Activities:		
Purchase of Investment Securities	(166,287)	(130,683)
Proceeds from Sale and Maturities of Investment Securities	150,090	123,945
Interest and Dividends on Investments	409	367
Net Cash Used for Investing Activities	(15,788)	(6,371)
Net Decrease in Cash and Cash Equivalents	(21,145)	(14,970)
Cash and Cash Equivalents, Beginning	134,677	149,647
Cash and Cash Equivalents, Ending	\$ 113,532	\$ 134,677
Cash and Cash Equivalents - Unrestricted Assets	\$ 27,881	\$ 14,441
Cash and Cash Equivalents - Restricted Assets	85,651	120,236
Total Cash and Cash Equivalents	\$ 113,532	\$ 134,677
Reconciliation Of Operating Income To Net Cash Provided By Operating Activities:		
Operating Income	\$ 25,577	\$ 22,894
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	34,730	33,947
Miscellaneous Non-Operating Revenue	941	1,030
Decrease (Increase) in Assets:		
Accounts Receivable	(1,428)	(607)
Inventory	(441)	(513)
Prepaid Items	197	131
Increase (Decrease) in Liabilities:		
Accounts Payable	(23)	(1,455)
Accrued Liabilities	191	(8)
Due to Other Governments	(167)	833
Customer Deposits	195	213
Compensated Absences	39	(416)
Other Post Employment Benefits	73	(538)
Total Adjustments	34,307	32,617
Net Cash Provided by Operating Activities	\$ 59,884	\$ 55,511
Noncash Investing, Capital And Related Financing Activities:		
Capital Assets Acquired through Current Accounts Payable	\$ 11,257	\$ 5,013
Capital Contributions	845	724
Amortization of Deferred Charge on Refunding	1,487	1,487
Amortization of Bond Discounts and Premiums	(2,193)	(2,193)
Change in Fair Value of Investments	(1,077)	(1,168)

See accompanying notes to financial statements.

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2014 and 2013

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BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2014 and 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

These financial statements present the financial position, changes in net position and cash flows of the Water and Wastewater Fund (the Fund) of Broward County, Florida (the County), a major enterprise fund of the County, and not the County as a whole. The Fund accounts for water and wastewater services provided to certain areas of the County.

The Board of County Commissioners (the Board) is responsible for legislative and fiscal control of the County. A County Administrator is appointed by the Board and is responsible for administrative and fiscal control of all County departments through the administration of directives and policies established by the Board. The Water and Wastewater Services (the WWS) operate within the Public Works Department, and are responsible for planning, construction, operation and financial management of the Water and Wastewater Systems (collectively, the Utility).

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The Fund operates as a major enterprise fund of the County and uses the enterprise fund type to account for all of its operations. The financial statements are presented using the flow of economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of when the related cash flows take place.

Operating revenues and operating expenses are distinguished from non-operating items. Operating revenues and operating expenses generally result from providing services in connection with the Fund's principal ongoing operation. The Fund's principal operating revenues are charges to water and wastewater customers. The principal operating expenses of the Fund include employee wages and benefits, purchases of services, supplies and materials and other expenses related to operating the Fund and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

C. Implementation of Governmental Accounting Standards Board Statements

The Fund adopted the following Governmental Accounting Standards Board (GASB) Statements during the fiscal year ended September 30, 2014.

1. GASB Statement No. 66 – Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62

The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of a state and local government's risk financing activities to the general fund and the internal service fund type.

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2014 and 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

This Statement also amends Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. This Statement had no impact on the Fund's financial statements.

2. GASB Statement No. 70 – Accounting and Financial Reporting For Nonexchange Financial Guarantees

The objective of this Statement is to improve recognition, measurement, and disclosure guidance for state and local governments that have extended or received financial guarantees that are nonexchange transactions. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This Statement also requires a government that has issued an obligation guaranteed in a nonexchange transaction to report the obligation until legally released as an obligor. This Statement further requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. When a government is released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. This Statement also specifies the information required to be disclosed by a government guarantor or issuer about the amounts and nature of nonexchange financial guarantees. This Statement had no impact on the Fund's financial statements.

D. Change in Accounting Principle

The October 1, 2012, beginning net position was restated as follows due to the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (in thousands):

Net position, as previously stated	\$ 365,277
Restatement due to the write off of deferred bond issuance costs pursuant to the implementation of GASB Statement No. 65	<u>(5,262)</u>
Net position, as restated	<u>\$ 360,015</u>

E. Deposits and Investments

Cash and cash equivalents consist of cash on hand, demand deposits and investments with original maturities at time of purchase of three months or less.

The Fund participates in the cash and investment pool maintained by the County. The Fund's portion of the pool is presented as "cash and cash equivalents," "investments," or "restricted assets" as appropriate. Earnings are allocated to the Fund based on the average daily cash and investment balances. The Fund also maintains cash and investments other than the County cash and investment pool for the purpose of funding debt service payments and bond reserve requirements, as well as for investment purposes. All investments are carried at fair value, as determined from quoted market prices.

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2014 and 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Accounts Receivable

Accounts receivable are composed primarily of monthly billings to retail and wholesale customers. Unbilled revenues for services delivered during the last month of the fiscal year are accrued based on meter readings for September consumption. An allowance for doubtful accounts is provided for receivables where there is a question as to ultimate collectability. Receivables for the Fund are presented in the accompanying financial statements, net of an allowance for uncollectible accounts of \$7,419,000 and \$6,735,000 at September 30, 2014 and 2013, respectively.

G. Inventories and Prepaid Items

Inventories held for use in maintaining the Utility are stated at average cost.

Prepaid items consist primarily of insurance costs that will benefit future accounting periods.

H. Capital Assets

Capital assets, which include utility plant in service and equipment, are recorded at cost or, if donated, at fair value at the date of donation. The capitalization levels are \$1,000 for equipment and \$5,000 for utility plant in service and land. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are depreciated on the straight-line basis over the following estimated useful lives:

Utility Plant in Service	10 - 45 years
Equipment	3 - 25 years

I. Capitalized Interest

Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the Fund during the fiscal years ended September 30, 2014 and 2013, was \$23,087,000 and \$23,430,000, respectively, and of this \$6,123,000 and \$6,195,000, respectively, was included as part of the cost of construction-in-progress.

J. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The Fund has reported the deferred charge on refunding as a deferred outflow of resources in the Statements of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded debt or refunding debt.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Fund does not have any items that qualify for reporting in this category.

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2014 and 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Compensated Absences

The County's policy is to permit employees to accumulate earned but unused vacation and sick leave. The cost of earned but unused vacation is accrued as a liability in the period in which the leave is earned. A liability for earned but unused sick leave is accrued only to the extent that the leave will result in cash payments at termination. At September 30, 2014 and 2013, such amounts aggregated \$3,624,000 and \$3,585,000, respectively, and are included in current and long-term liabilities.

L. Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the Statements of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable unamortized premium or discount.

M. Net Position and Net Position Flow Assumption

Net position represents the residual interest in the Fund's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted and consists of three components: net investment in capital assets, restricted and unrestricted net position. Net investment in capital assets includes capital assets, net of accumulated depreciation, reduced by outstanding debt incurred to acquire, construct or improve those capital assets, excluding unexpended proceeds. The restricted category represents the balance of assets restricted for general use by external parties (creditors, grantors, contributors, or laws or regulations of other governments) or imposed by law through constitutional provisions or enabling legislation. Unrestricted net position consists of the net position not meeting the definition of either of the other two components. Sometimes the Fund will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts reported as restricted - net position and unrestricted - net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Fund's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

N. Capital Contributions

Capital contributions consist mainly of capital recovery fees and contributions from developers and other governments. These capital contributions are recognized when earned.

O. Reclassifications

Certain amounts presented in the prior-year data have been reclassified to be consistent with the current year's presentation.

P. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2014 and 2013

NOTE 2 - DEPOSITS AND INVESTMENTS

At September 30, 2014 and 2013, the Fund's deposits and investments consisted of the following (in thousands):

	September 30,	
	2014	2013
Cash Deposits	\$ 113,532	\$ 134,677
Investments:		
U.S. Treasuries	946	14,847
U.S. Agencies	61,729	43,141
Commercial Paper	35,065	23,555
Total Investments	97,740	81,543
Total Cash and Investments	<u>\$ 211,272</u>	<u>\$ 216,220</u>

Cash, cash equivalents and investments are classified on the Statements of Net Position as follows (in thousands):

	September 30,	
	2014	2013
Current Assets		
Unrestricted		
Cash and Cash Equivalents	\$ 27,881	\$ 14,441
Investments	56,591	39,703
Restricted		
Cash and Cash Equivalents	37,261	30,643
Investments	8,496	8,501
Noncurrent Assets		
Restricted		
Cash and Cash Equivalents	48,390	89,593
Investments	32,653	33,339
Total Cash, Cash Equivalents and Investments	<u>\$ 211,272</u>	<u>\$ 216,220</u>

Deposits

Custodial Credit Risk - The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the County will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The County mitigates custodial credit risk by generally requiring public funds to be deposited in a qualified public depository pursuant to State Statutes. Under the State Statutes, all qualified public depositories are required to pledge eligible collateral having a market value equal to or greater than the average daily or monthly balance of all public deposits times the depositories' collateral pledging level. The pledging level may range from 25% to 200% depending upon the depositories' financial condition and establishment period. All collateral must be deposited with an approved financial institution. Any potential losses to public depositors are covered by applicable deposit insurance, sale of securities pledged as collateral, and, if necessary, assessments against other qualified public depositories of the same type as the depository in default.

At September 30, 2014, \$109,775,000 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institutions' trust department, but not in the County's name.

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2014 and 2013

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

Investments

The Fund follows the County's investment practices, which are governed by 218.415 of the Florida Statutes, County Code of Ordinances, Chapter 1, Article 1, Section 1-10 and the requirements of outstanding bond covenants. The County has a formal investment policy that, in the opinion of management, is designed to ensure conformity with State Statutes and seeks to limit exposure to investment risks. The investment policy specifies the type, issuer, maturity, and performance measurement of investment securities that are permissible. Securities are held to maturity with limited exceptions outlined in the investment policy. Qualified institutions utilized for investment transactions are also addressed within the policy, as well as diversification requirements for the investment portfolio.

Under State Statutes and County Ordinances, the County is authorized to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, commercial paper, repurchase agreements, certificates of deposit, certain money market funds, and the Florida Local Government Investment Trust. County policy requires that securities underlying repurchase agreements must have a market value of at least 102% of the cost of the repurchase agreements.

Interest Rate Risk - In accordance with its investment policy, the County manages its exposure to interest rate volatility by limiting the weighted average maturity of its investment portfolio within the following maturity categories: overnight 35%; 1-30 days 80%; 31-90 days 80%; 91 days to 1 year 70%; 1-2 years 40%; 2-3 years 20%; 3-4 years 15%; 4-5 years 10%. Assets held pursuant to bond covenants are exempt from these maturity limitations. As of September 30, 2014, the portfolio weighted average maturity was 568 days, and was in accordance with the County's investment policy.

Credit Risk - The County's investment policy contains specific rating criteria for certain investments. The policy states that commercial paper, as well as bonds, notes, or obligations of the State of Florida, any municipality or political subdivision, or any agency or authority of the state, if such obligations are rated, must be rated in one of the two highest rating categories by at least two nationally recognized rating agencies. Commercial paper not rated must be backed by a letter of credit or line of credit rated in one of the two highest rating categories. Any investments in World Bank Notes, Bonds, and Discount Notes must be rated AAA or equivalent by Moody's Investors Service and/or Standard and Poor's Ratings Services. Investments in Securities and Exchange Commission registered money market funds must have the highest credit quality rating from a nationally recognized rating agency.

The County's investments in U.S. Treasuries and U.S. Agencies are rated AA+ by Standard & Poor's Rating Services and Aaa by Moody's Investors Service. The County's investments in commercial paper are rated P-1 by Moody's Investors Service and A-1+ by Standard & Poor's Ratings Services.

Concentration of Credit Risk - The County places no limit on the amount that may be invested in securities of the U. S. Government and U.S. Agencies thereof, or government-sponsored corporation securities. The County requires that all other investments be diversified with no more than 5% of the value of the portfolio invested in the securities of any single issuer. GASB Statement No. 40, *Deposit and Investment Risk Disclosures - an amendment of GASB Statement No. 3* requires disclosure when 5% or more is invested in any one issuer. The investment in the Federal Home Loan Bank is 21.80%, the Federal Home Loan Mortgage Corporation is 25.96%, the Federal National Mortgage Association is 18.21%, and the Federal Farm Credit Bank is 5.17%.

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2014 and 2013

NOTE 3 - RESTRICTED ASSETS

Restricted assets of the Fund at September 30, 2014 and 2013 represent amounts restricted for construction, debt service, maintenance and improvements under the terms of outstanding bond agreements and regulatory requirements. The bond construction funds include bond proceeds available for the design and construction of major capital projects. The bond reserve accounts contain the maximum amount of required principal and interest payments on all outstanding bonds in the next fiscal year. The debt service accounts contain the principal and interest amounts required for payment due on October 1. The other restricted accounts include customer deposits and the renewal, replacement, and improvement fund required by the bond resolution.

Composition of restricted accounts is as follows (in thousands):

	September 30,	
	2014	2013
Bond Construction Funds	\$ 48,671	\$ 84,516
Bond Reserve Accounts	37,499	37,499
Debt Service Accounts	25,602	25,428
Other Restricted Accounts	15,028	14,633
	<u>\$ 126,800</u>	<u>\$ 162,076</u>

Restricted assets are classified on the Statements of Net Position as follows (in thousands):

	September 30,	
	2014	2013
Current Restricted Assets		
Cash and Cash Equivalents	\$ 37,261	\$ 30,643
Investments	8,496	8,501
Noncurrent Restricted Assets		
Cash and Cash Equivalents	48,390	89,593
Investments	32,653	33,339
	<u>\$ 126,800</u>	<u>\$ 162,076</u>

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BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2014 and 2013

NOTE 4 - CAPITAL ASSETS

Changes in capital assets for the years ended September 30, 2014 and 2013 are as follows (in thousands):

	Balance October 1, 2013	Increases	Decreases	Balance September 30, 2014
Capital Assets, Not Being Depreciated:				
Land	\$ 4,904	\$ 32	\$ -	\$ 4,936
Construction in Progress	40,268	44,891	(21,928)	63,231
Total Capital Assets, Not Being Depreciated	<u>45,172</u>	<u>44,923</u>	<u>(21,928)</u>	<u>68,167</u>
Capital Assets, Being Depreciated:				
Utility Plant in Service	1,102,311	22,565	(6)	1,124,870
Equipment	27,089	1,322	(1,141)	27,270
Total Capital Assets, Being Depreciated	<u>1,129,400</u>	<u>23,887</u>	<u>(1,147)</u>	<u>1,152,140</u>
Less Accumulated Depreciation For:				
Utility Plant in Service	(434,843)	(33,206)	6	(468,043)
Equipment	(17,372)	(1,524)	1,097	(17,799)
Total Accumulated Depreciation	<u>(452,215)</u>	<u>(34,730)</u>	<u>1,103</u>	<u>(485,842)</u>
Total Capital Assets Being Depreciated, Net	<u>677,185</u>	<u>(10,843)</u>	<u>(44)</u>	<u>666,298</u>
Total Capital Assets, Net	<u>\$ 722,357</u>	<u>\$ 34,080</u>	<u>\$ (21,972)</u>	<u>\$ 734,465</u>

	Balance October 1, 2012 (1)	Increases	Decreases	Balance September 30, 2013
Capital Assets, Not Being Depreciated:				
Land	\$ 4,904	\$ -	\$ -	\$ 4,904
Construction in Progress	70,212	36,987	(66,931)	40,268
Total Capital Assets, Not Being Depreciated	<u>75,116</u>	<u>36,987</u>	<u>(66,931)</u>	<u>45,172</u>
Capital Assets, Being Depreciated:				
Utility Plant in Service	1,035,639	66,672	-	1,102,311
Equipment	24,787	2,527	(225)	27,089
Total Capital Assets, Being Depreciated	<u>1,060,426</u>	<u>69,199</u>	<u>(225)</u>	<u>1,129,400</u>
Less Accumulated Depreciation For:				
Utility Plant in Service	(402,080)	(32,763)	-	(434,843)
Equipment	(16,404)	(1,184)	216	(17,372)
Total Accumulated Depreciation	<u>(418,484)</u>	<u>(33,947)</u>	<u>216</u>	<u>(452,215)</u>
Total Capital Assets Being Depreciated, Net	<u>641,942</u>	<u>35,252</u>	<u>(9)</u>	<u>677,185</u>
Total Capital Assets, Net	<u>\$ 717,058</u>	<u>\$ 72,239</u>	<u>\$ (66,940)</u>	<u>\$ 722,357</u>

(1) The October 1, 2012 beginning balances in the schedule above were revised to reflect reclassifications of amounts between Utility Plant in Service and Equipment. There was no effect on the total net capital assets reported.

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BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2014 and 2013

NOTE 5 - LONG-TERM LIABILITIES

Changes in long-term obligations for the years ended September 30, 2014 and 2013 are as follows (in thousands):

	Balance October 1, 2013	Additions	Deductions	Balance September 30, 2014	Amount Due Within One Year	Amount Due After One Year
Revenue Bonds Payable	\$ 527,500	\$ -	\$ (13,360)	\$ 514,140	\$ 13,705	\$ 500,435
Unamortized Bond Premiums and Discounts	37,686	-	(2,193)	35,493	-	35,493
Compensated Absences	3,585	1,506	(1,467)	3,624	1,759	1,865
Other Post Employment Benefits	617	139	(66)	690	-	690
Total	\$ 569,388	\$ 1,645	\$ (17,086)	\$ 553,947	\$ 15,464	\$ 538,483

	Balance October 1, 2012(1)	Additions	Deductions	Balance September 30, 2013	Amount Due Within One Year	Amount Due After One Year
Revenue Bonds Payable	\$ 537,940	\$ -	\$ (10,440)	\$ 527,500	\$ 13,360	\$ 514,140
Unamortized Bond Premiums and Discounts	39,879	-	(2,193)	37,686	-	37,686
Compensated Absences	4,001	1,206	(1,622)	3,585	1,763	1,822
Other Post Employment Benefits	538	157	(78)	617	-	617
Total	\$ 582,358	\$ 1,363	\$ (14,333)	\$ 569,388	\$ 15,123	\$ 554,265

(1) The October 1, 2012 beginning balances in the table above were restated due to the implementation of GASB Statement No. 65. This restatement reclassifies the unamortized deferred charge on refunding from liabilities to deferred outflows of resources on the Statements of Net Position.

The following is a summary of the major provisions and significant debt service requirements for the outstanding bonds at September 30, 2014 (in thousands):

Revenue Bonds	Primary Purpose	Type	Interest Payment		Redemption		Final Maturity Date	Original Amount Issued	Retired/Refunded	Outstanding September 30, 2014
			Rate %	Date	Optional (O) or Mandatory (M)	Year				
2003 Series	Improv/Refunding	Serial	2.0-5.0	04/01 10/01	O	2014	10/1/2025	\$ 84,415	\$ 84,415	\$ -
2003 Series B	Refunding	Serial	2.0-5.0	04/01 10/01	O	2014	10/1/2018	99,370	99,370	-
2005 Series A	Improvements	Term	5.0	04/01 10/01	M	2028	10/1/2030	53,675	4,545	49,130
2009 Series A	Improvements	Serial	2.1-5.2	04/01 10/01	O	2019	10/1/2029	63,555	6,985	56,570
2009 Series A	Improvements	Term	5.25-5.3	04/01 10/01	M	2031	10/1/2034	111,825	1,475	110,350
2012 Series A	Improvements	Serial	1.0-5.0	04/01 10/01	O	2023	10/1/2033	51,295	-	51,295
2012 Series A	Improvements	Term	5.0	04/01 10/01	M	2035	10/1/2037	89,330	-	89,330
2012 Series B	Refunding	Serial	4.0-5.0	04/01 10/01	O	2023	10/1/2027	110,920	-	110,920
2012 Series C	Refunding	Serial	0.44-1.9	04/01 10/01	N/A	N/A	10/1/2018	47,655	1,110	46,545
\$ 514,140										

Certain bond indentures contain provisions stipulating annual debt service, sinking fund, and minimum net revenue requirements. In addition, certain indentures require maintenance of various accounts and specify the deposits to be made to such accounts. The Fund was in compliance with bond indenture requirements as of September 30, 2014 and 2013.

The annual debt service requirements for all bonds outstanding as of September 30, 2014 are as follows (in thousands):

Fiscal Year	Principal	Interest	Total
2015	\$ 13,705	\$ 23,708	\$ 37,413
2016	13,875	23,521	37,396
2017	14,080	23,289	37,369
2018	14,340	23,011	37,351
2019	14,635	22,577	37,212
2020-2024	83,600	101,875	185,475
2025-2029	106,240	78,600	184,840
2030-2034	135,835	48,152	183,987
2035-2038	117,830	11,752	129,582
	\$ 514,140	\$ 356,485	\$ 870,625

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2014 and 2013

NOTE 5 - LONG-TERM LIABILITIES (Continued)

Water and Sewer Utility Revenue Bonds are issued to finance the construction or improvement of the County's Water and Wastewater Utility and are payable solely from and are secured by a pledge of net revenues, as defined in the Bond Resolution. In accordance with Section 502 of the Bond Resolution, the debt service coverage for the fiscal year ended September 30, 2014 is as follows (in thousands):

Revenues	\$ 123,983
Current Expenses	62,463
Amount Available for Debt Service	<u>\$ 61,520</u>
Debt Service	
Deposit to Principal Account	\$ 13,705
Deposit to Interest Account	23,794
Total Debt Service	<u>\$ 37,499</u>
Debt Service Coverage Available for Debt Service	164 %
Required Debt Service Coverage	120 %

Total pledged revenues to repay the principal and interest of the Water and Sewer Utility Revenue Bonds as of September 30, 2014 were as follows (in thousands):

Current Revenue Pledged	\$ 61,520
Current Year Debt Service	\$ 37,325
Total Future Revenues Pledged	\$ 870,625
Percentage of Debt Service to Pledged Revenues (Current Year)	60.7 %

Total future pledged revenues must be sufficient to repay principal and interest on a cash basis through fiscal year 2038.

Defeased Bonds

The Fund has entered into refunding transactions whereby refunding bonds have been issued to facilitate the retirement of the Fund's obligation with respect to certain outstanding bond issues. The net proceeds of the refunding issues have been placed in irrevocable escrow accounts and invested in U.S. Treasury obligations that, together with interest earned thereon will provide amounts sufficient for future payments of interest and principal on the bond issues being refunded. The refunded bonds are not included in the Fund's Statements of Net Position as a liability since the Fund has legally satisfied its obligations through the refunding transactions.

The following is summary of the Fund's outstanding defeased bonds (in thousands):

Year of Defeasance	Bond Issue Defeased		Principal Outstanding September 30, 2014
2012	Water and Sewer Utility Revenue Bonds Series 2005 A (Partially Refunded)	\$	27,610

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2014 and 2013

NOTE 6 - CAPITAL CONTRIBUTIONS

Contributions and fees used to acquire capital assets are classified as capital contributions in the Statements of Revenues, Expenses, and Changes in Net Position. Capital contributions consist of the following (in thousands):

	2014	2013
Capital Recovery Fees	\$ 4,093	\$ 3,680
Capital Contributed from Other Governments	1,662	1,633
Capital Contributed by Developers	845	724
	<u>\$ 6,600</u>	<u>\$ 6,037</u>

NOTE 7 - RISK MANAGEMENT

The Fund is exposed to various risks and losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Fund participates in the County's Self-Insured Workers' Compensation program. For its Workers' Compensation exposure, the County purchases excess coverage above a \$1,500,000 retention limit and pays any claims below the retention from its Self-Insurance Fund. The Fund also participates in the County's general liability program and other insurance policies purchased by the County. The County's general liability is entirely self-insured, with the County providing coverage up to the statutory limits of \$200,000 per person and \$300,000 per occurrence. The County purchases commercial insurance for property coverage and numerous smaller policies that are required by lease agreements, union contracts, State Statutes, etc. Settled claims have not exceeded this commercial coverage in the past three years.

The Fund makes payments for the Self-Insurance Program to the Risk Management Fund based on actuarial estimates of the amounts needed to pay prior and current year claims and to establish reserves for all losses. The actuarial estimates include the effects of specific, incremental claims adjustment expenses, salvage, subrogation and other allocated claims adjustments. The reserves for the Self-Insurance Program are reported as a liability of the County's Self-Insurance Fund. The Fund is indemnified against losses in a given year in excess of the fees charged.

NOTE 8 - LARGE USER AGREEMENTS

The County has entered into agreements with large (wholesale) users of the North Regional Wastewater System. These agreements provide that the cost of operating the system be charged to each large user on the basis of each user's proportionate share of total gallons processed. In addition, each large user is charged a debt service fee for the principal, interest and debt coverage requirements on debt issued to finance the construction of the North Regional Wastewater facilities. The debt service charge is based on the relative percentage of reserve capacity designated for each user to total reserve capacity.

NOTE 9 - PENSION PLAN

The Fund, as an agency of the County, participates in the Florida Retirement System (FRS), a cost-sharing, multiple-employer Public Employment Retirement System (PERS), which covers substantially all permanent full and part-time County employees. The FRS provides retirement, death, and disability benefits to plan members and beneficiaries. FRS offers a defined benefit plan (*Pension Plan*) or a defined contribution plan (*Investment Plan*). Benefits for both plans are established by Florida Statutes and may only be amended by the Florida Legislature.

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2014 and 2013

NOTE 9 - PENSION PLAN (Continued)

The FRS issues an annual financial report. A copy can be obtained by sending a written request to the Division of Retirement, P.O. Box 9000 Tallahassee, FL 32315-9000 or by visiting their website at <http://dms.myflorida.com>.

Pension Plan benefits are computed on the basis of age, average final compensation and service credit. For employees initially enrolled in the *Pension Plan* on or after July 1, 2011, average final compensation is the average of the eight highest fiscal years of earnings compared with the average of the five highest years of earnings for those enrolled prior to July 1, 2011. The *Pension Plan* provides vesting of benefits after eight years of creditable service for employees initially enrolled in the *Pension Plan* on or after July 1, 2011, compared with a vesting period of six years for those enrolled prior to July 1, 2011. Members initially enrolled in the *Pension Plan* on or after July 1, 2011, are eligible for normal retirement if they are vested and age 65 or if they have 33 years of service, regardless of age. Members initially enrolled in the *Pension Plan* prior to July 1, 2011, are eligible for normal retirement if they are vested and age 62 or have 30 years of creditable service, regardless of age. Early retirement may be taken any time after vesting; however, there is a 5% benefit reduction for each year prior to normal retirement age or date.

The Deferred Retirement Option Program (DROP) is available under the *Pension Plan* when a member first reaches eligibility for normal retirement. The DROP allows a member to retire while continuing employment for up to 60 months. While in DROP, the member's retirement benefits accumulate in the FRS Trust Fund (increased by a cost of living adjustment each July) and earn monthly interest equivalent to an annual rate of 1.30% if the effective DROP commencement date is on or after July 1, 2011, or an annual rate of 6.50% if the DROP commencement date is before July 1, 2011.

The Fund's required contribution rate to the *Pension Plan* is established by State Statute. Through June 30, 2014, rates ranged from 6.08% to 20.97% of covered payroll, based on employee risk groups. Effective July 1, 2014, rates ranged from 6.54% to 24.79% of covered payroll, based on employee risk groups. Effective July 1, 2011, the State Legislature mandated a 3% employee contribution for all employees participating in the *Pension Plan*. Employees who were enrolled in the DROP before July 1, 2011 are not subject to the contribution.

A summary of the covered payroll, contributions and percentage of covered payroll for the *Pension Plan* are as follows (dollars in thousands):

	2014	2013	2012
Covered Payroll	\$ 17,164	\$ 17,404	\$ 17,780
Employer Contributions	\$ 1,381	\$ 1,021	\$ 871
Employer Contributions % of Covered Payroll	8.1%	5.9%	4.9%

The Fund's contribution to the *Pension Plan* for the current and two preceding years were equal to the required contributions for each year.

The *Investment Plan* is a participant-directed program selected by employees in lieu of participation in the defined benefit option of FRS. Benefits are accrued in individual accounts that are participant directed, portable, and funded by employer/employee contributions. The *Investment Plan* offers a diversified mix of investment options that span the risk-return spectrum and give participants the opportunity to accumulate retirement benefits. The members are vested after one year of service. Benefits are based on the total value of the account at distribution. This amount is based on contributions, earnings or losses on those contributions, less expenses. The Fund's required contribution rate to the *Investment Plan* is established by State Statute. The required contribution rate as of September 30, 2014 remained the same as the prior year and, ranged from 3.55% to 4.93%, of covered payroll based on employee risk groups.

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2014 and 2013

NOTE 9 - PENSION PLAN (Continued)

Effective July 1, 2011, the State legislature mandated a 3% employee contribution for all employees participating in the *Investment Plan*. For the year ended September 30, 2014, the Fund contributed \$170,000 and employees contributed \$72,000 to the *Investment Plan*. For the year ended September 30, 2013, the Fund contributed \$146,000 and employees contributed \$74,000 to the *Investment Plan*.

NOTE 10 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description

The Fund, as an agency of the County, participates in the County's single-employer defined benefit healthcare plan. The plan allows its employees and their beneficiaries to continue obtaining health, dental and other insurance benefits upon retirement. The benefits of the Fund's plan conform to Florida Statutes, which are the legal authority for the plan. The plan has no assets and does not issue separate financial reports.

Funding Policy and Annual OPEB Cost

The Fund makes no direct contribution to the plan. Retirees and their beneficiaries pay the same group rates as are charged to the Fund for active employees. The County's actuaries, in their actuarial valuation, calculate an offset to the cost of these benefits, which is called the Employer Contribution.

The Fund's annual OPEB cost for the plan is calculated based on the annual required contribution of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions*. The annual required contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

The annual OPEB cost for the Fund for the 2014 and 2013 fiscal years, and the related information for the plan, is as follows (in thousands):

Required Contribution Rates:	2014	2013
Employer	Pay-as-you-go	Pay-as-you-go
Active Plan Members	N/A	N/A
Annual Required Contribution	\$ 143	\$ 158
Interest on Net OPEB Obligation	31	28
Adjustment to Annual Required Contribution	(35)	(29)
Annual OPEB Cost	139	157
Contributions Made	(66)	(78)
Increase in Net OPEB Obligation	73	79
Net OPEB Obligation, Beginning of Year	617	538
Net OPEB Obligation, End of Year	\$ 690	\$ 617

BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2014 and 2013

NOTE 10 - OTHER POST EMPLOYMENT BENEFITS (Continued)

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2014, 2013 and 2012 for the Fund, were as follows (dollars in thousands):

	2014	2013	2012
Annual OPEB Cost	\$ 139	\$ 157	\$ 144
Percentage of OPEB Cost Contributed	47.92%	49.61%	52.76%
Net OPEB Obligation	\$ 690	\$ 617	\$ 538

Funded Status and Funding Progress

The funded status of the County's plan as of October 1, 2013, the date of the latest actuarial valuation, was as follows (dollars in thousands):

Actuarial Accrued Liability	\$ 25,389
Actuarial Value of Plan Assets	\$ -
Unfunded Actuarial Accrued Liability	\$ 25,389
Funded Ratio	0.00%
Covered Payroll	\$ 242,246
Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll	10.48%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information is designed to provide multi-year trend information to show whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. However, the County has not contributed assets to the plan at this time.

Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plans (the plans as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the County and plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows.

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BROWARD COUNTY, FLORIDA WATER AND WASTEWATER FUND

NOTES TO FINANCIAL STATEMENTS

September 30, 2014 and 2013

NOTE 10 - OTHER POST EMPLOYMENT BENEFITS (Continued)

Significant methods and assumptions were as follows:

Actuarial Valuation Date	10/1/2013
Actuarial Cost Method	Entry Age
Amortization Method	Level Percent, Closed
Remaining Amortization Period	24 Years
Asset Valuation Method	Unfunded
Actuarial Assumptions	
Investment Rate of Return*	3.75%
Projected Salary Increases*	4.0% - 8.38%
Healthcare Cost Trend Rate	8.5% Initial, 4.5% Ultimate

*Includes 3% General Inflation

NOTE 11 - COMMITMENTS AND CONTINGENT LIABILITIES

At September 30, 2014, the Fund had various uncompleted construction projects in process, with commitments totaling \$71,362,000. The retainage payable on these contracts totaled \$2,957,000. Funding of these projects is to be made primarily through the proceeds of the related bond issues.

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Required Supplementary Information

**BROWARD COUNTY, FLORIDA
 WATER AND WASTEWATER FUND
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS - OTHER POST EMPLOYMENT BENEFITS
 (Dollars in Thousands)**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
10/1/2009	\$0	\$40,098	\$40,098	0.00%	\$245,050	16.36%
10/1/2011	\$0	\$24,800	\$24,800	0.00%	\$231,302	10.72%
10/1/2013	\$0	\$25,389	\$25,389	0.00%	\$242,246	10.48%

This schedule shows the County's actuarial accrued liability (AAL). An estimated 5% of this liability can be attributed to the Fund.

Supplementary Financial Information

**BROWARD COUNTY, FLORIDA
WATER AND WASTEWATER FUND
SUPPLEMENTARY FINANCIAL INFORMATION
SCHEDULE OF NET REVENUE AND DEBT COVERAGE CALCULATION
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013
(Dollars In Thousands)**

	<u>2014</u>	<u>2013</u>
Revenues:		
Water	\$ 45,453	\$ 43,990
Wastewater	70,385	69,419
Other	7,869	8,735
Interest Income	<u>276</u>	<u>200</u>
Total Revenues	<u>123,983</u>	<u>122,344</u>
Expenses:		
Personal Services	23,742	23,208
Utilities Services	14,927	15,338
Chemicals	3,281	3,086
County Services	3,339	3,236
Material and Supplies	4,923	5,635
Motor Pool	1,245	1,449
Contractual Services	8,423	8,203
Other	<u>2,583</u>	<u>3,220</u>
Total Expenses	<u>62,463</u>	<u>63,375</u>
Net Revenue Available for		
Principal and Interest Requirements	<u>61,520</u>	<u>58,969</u>
Principal and Interest Requirements:		
Series 2003 Bonds	-	1,048
Series 2003B Bonds	-	8,188
Series 2005 Bonds	2,457	2,456
Series 2009A Bonds	10,326	10,325
Series 2012A Bonds	8,252	8,251
Series 2012B Bonds	5,523	5,522
Series 2012C Bonds	<u>10,941</u>	<u>1,706</u>
Total Principal and Interest Requirements	<u>37,499</u>	<u>37,496</u>
Debt Coverage Required	<u>1.20</u>	<u>1.20</u>
Actual Debt Coverage All Debt Service by Net Revenue	<u>1.64</u>	<u>1.57</u>
Balance Available for Renewal, Replacement and Capital Expenditures	<u>\$ 24,021</u>	<u>\$ 21,473</u>

Revenue recorded on this schedule is based on bond resolution.



MOORE STEPHENS
LOVELACE, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Board of County Commissioners
Broward County Water and Wastewater Fund
Broward County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements, as listed in the table of contents, of the Broward County Water and Wastewater Fund (the "Water and Wastewater Fund"), an enterprise fund of Broward County, Florida as of and for the year ended September 30, 2014, and have issued our report thereon dated February 19, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Water and Wastewater Fund's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Water and Wastewater Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Water and Wastewater Fund's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Water and Wastewater Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management in a separate letter dated February 19, 2015.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Water and Wastewater Fund's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Water and Wastewater Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moore Stephens Lovelace, P.A.

MOORE STEPHENS LOVELACE, P.A.
Certified Public Accountants

Orlando, Florida
February 19, 2015